

## **Phase II of the Strategic Plan - American Indian Trust and Development Bank**

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### **Phase II Objective: To Form a single organization which will:**

- manage the U.S. Government's trust responsibilities to American Indians and American Indian tribes for trust resource management, trust funds management and land title and records management.
  - Provide for Full Service Lifeline Banking, Trust and Financial Services to Individual American Indians and Indian Tribes and Provide Funding for Economic Development Aimed At Making the Individual American Indian and Indian Tribes economically viable over the next several decades.
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### **Phase II Introduction**

Phase II of the Strategic Plan will commence with the completion of Phase I--i.e., when the systems, accounting and organizational restructuring and re-engineering required by Phase I are complete. Systems, accounting and organizational changes made during Phase I of the Strategic Plan will be planned, designed and implemented in such a way that they will anticipate and be compatible with Phase II changes, programs and initiatives.

The basic difference between Phases I and II of the Strategic Plan is that full financial services and economic development funding will be provided in Phase II. The recommended organizational structure and delivery system will take the form of a bank and trust company similar to those found in the Farm Credit System.

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### **Phase II General Requirements**

Phase II requirements will include all Phase I requirements. Phase II will build on Phase I and will include acquiring, automating, updating, integrating, coordinating and consolidating in ways so as to produce:

- . A full service trust system.

This requirement will be met by building a system to provide, directly and indirectly, full trust services to include managed, agency and custodial accounts, cash management accounts, comprehensive accounting and tax statements, discount brokerage, stock transfer, custody, pensions, collective investment funds, fixed income and equity research and advice, mutual funds and insurance sales and other trust services.

- . A full service banking and depository system and delivery system.

This requirement will be met by building a system to deliver, directly and indirectly, through multiple offices, full banking and depository services, to include demand and savings accounts, certificates of deposit, overdraft protection, money orders and official checks, escrow services, foreign exchange, capital market sales, discount brokerage, cash management services and other financial services.

- . A full service asset management, lending and leasing system and delivery system.

his requirement will be met by building a full service asset management, lending and leasing system to deliver, directly and indirectly, through multiple offices, commercial loans and leases, including corporate, small business, middle market and agriculture loans and leases; consumer loans and leases, including credit card, home equity, auto, mobile home, and personal loans and leases; real estate loans and leases including loans secured by single and multiple family housing and commercial real estate; and infrastructure and development loans and leases. Such systems would have origination as well as packaging, sales to the secondary market, servicing, loan participation and correspondent banking services capabilities.

- . A fractionated realty holdings purchase and sales program.

This requirement will be met by a full service asset management capability and program to purchase, sell, deal in, finance and service fractionated realty holdings.

- . An investment capability for community development projects.

his requirement will be met by developing an investment capability to provide equity capital, perpetual preferred stock and long term subordinated debt for economic development of the trust lands and the Tribes and individual Indians and their business ventures. Such total investment not to exceed 1% of the Bank's equity capital to any single enterprise or project and 25% of equity capital for the aggregate of all such investments.

- . A new management and institutional structure to accommodate restructuring & reorganization, to include a new independent bank & trust structure with the following capital requirements:

Equity Capital	\$500 million
Borrowing Capacity	10 times capital
Initial Borrowing from U.S.	\$3 billion, 30 years, 30 year T rate

This new structure which will permit a singular focus on trust management responsibilities to American Indians and Tribes and more independence from the appropriations process; more self-determination; more economic independence; greater funding access to the capital markets; and a management structure and salary and benefit scale similar to the Federal Reserve System, the Federal Home Loan Bank System, the Farm Credit System and the Federal financial regulators.

- . A headquarters building adjacent to national archives and records center.

The restructuring and reorganization will require a new headquarters building adjacent to the national archives and records center to accommodate the expanded products and services and the centralization of

many of the systems.

. Systems and technology enhancements to facilitate Phase II restructuring and reorganization.

This will require building further integrated systems and technology enhancements to facilitate the Phase II requirements.

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## **Phase II Specific Requirements**

### **AMERICAN INDIAN TRUST AND DEVELOPMENT ADMINISTRATION TRUST DEVELOPMENT BANK (AITDA & TDBANK)**

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## **PURPOSE AND OVERVIEW**

The strategic plan's primary objective is to form a single organization which will:

Manage the U.S. Government's trust responsibilities to American Indians and American Indian tribes for trust resource management, trust funds management and land title and records management.

Provide for Full Service Lifeline Banking, Trust and Financial Services to Individual American Indians and Indian Tribes and Provide Funding for Economic Development Aimed At Making the Individual American Indian and Indian Tribes economically viable over the next several decades.

The AITDA will be an independent GSE similar to the Farm Credit Administration with a Chairman and a Board of Directors appointed by the President and subject to Senate confirmation. The Board is structured in such a way so as to draw majority representation from American Indian trust beneficiaries, including both Tribal and Individual Indian Money account holders. The Chairman and one other Board member will be people who have practical experience in fiduciary trust fund, investment and financial management. The Board of Directors and Chairman of AITDA will devote full time to the job and will also serve as Board members and the Chairman of TDBank, which will be the development operating arm of the American Indian Trust & Development Administration.

While AITDA and TDBank will assume and manage the U.S. Government's primary trust responsibilities to American Indians and American Indian Tribes in the important areas of trust resource management, trust funds management and trust land and ownership records management, there will be no diminishment of the Federal trust responsibility to American Indian beneficiaries. Essentially, the United States will retain its full trust responsibility but simply transfer administration from the Department of the Interior to AITDA and TDBank for the trust management activities. AITDA and TDBank will still be backed by the full faith and credit of the United States. In addition, the singular focus on trust management activities, independent and dependable funding and a skilled Board of Directors and management team should ensure that the U.S. Government will be able to improve its ability to fulfill its trust responsibilities to American Indian beneficiaries. The United States would remain liable for any breach of trust by AITDA and TDBank. With initial capital of \$500 million and with the

U.S. Government's agreement to maintain minimum capital of \$500 million for TDBank, sufficient funds will be available to cover any operating losses or to pay claims for future possible breaches of trust.

TDBank will be a nationwide financial institution that lends to, invests in and provides financial services for American Indians and American Indian Tribes and their communities on prudential underwriting standards. These activities will provide the American Indian communities with a dependable source of credit and investment for economic development purposes and will provide a more stable and dependable structure for fulfilling part of the U.S. Government's responsibilities to individual American Indians and American Indian Tribes.

AITDA and TDBank will be created and extensively governed by Federal statute and will be a GSE of the Federal Government intended to carry out and further governmental policy concerning the Federal Government's trust obligations and responsibilities to American Indians and American Indian Tribes for trust management activities and the economic development of American Indians and their communities.

The TDBank will facilitate and implement efforts and initiatives to make individual American Indians and American Indian Tribes economically more viable and independent under established principles of self-determination and self-governance. TDBank will also provide at no cost or at a subsidized cost, lifeline financial services which are not being provided or cannot be provided by the private sector at an affordable cost to individual American Indians or American Indian Tribes.

TDBank will be a for-profit financial institution and will generally be required to cover its operating expenses from trust, lending, leasing and investment revenues. The Bank will therefore not generally be eligible for authorized and appropriated funds from the U.S. Government, except that the cost of lifeline financial services and the cost of certain other specified programs authorized by Congress will be reimbursed in whole or in part from authorized and appropriated funds.

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## **BENEFITS TO AMERICAN INDIANS AND AMERICAN INDIAN TRIBES**

TDBank will be a nationwide financial institution focused solely on providing a dependable source of:

- Lending to American Indians and Tribes and their communities, including access to commercial, real estate and consumer loans for all purposes.
- Investing in American Indian Enterprises for economic development purposes.
- Lifeline financial services to American Indians and Tribes.

The Bank's lending, investment and lifeline financial services will be provided consistent with principles of self-determination, self-governance and economic viability and independence.

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## **TDBANK GENERAL STRUCTURE AND RELATIONSHIP TO THE FEDERAL GOVERNMENT**

TDBANK will:

- be an instrumentality of the Federal Government and will be backed by the full faith and credit of the United States.

- . be governed by a Chairman and Board of Directors appointed by the President and confirmed by the Senate.
  - . have appropriate oversight from the Congress on an ongoing basis.
  - . be examined by an existing (OCC is proposed) or new agency of the Federal Government.
  - . have a corporate structure patterned after banks belonging to the Farm Credit System.
  - . not be commonly owned or controlled. Instead, the Bank will be cooperatively owned by the American Indian Tribes.
  - . have a budget that will be subject to the Federal Government's authorization and oversight processes.
  - . But the Bank will be a for-profit financial institution and will generally be required to cover its operating expenses from trust, lending, leasing and investment revenues and other banking activities. The Bank will not generally be eligible for authorized and appropriated funds from the Federal Government except that the cost of lifeline financial services and the cost of other specific programs approved by the Congress may require a subsidy, in whole or in part, from appropriated funds of the Federal Government.
  - . be required to have an annual audit and report from an independent, qualified accounting firm.
  - . be exempt from all Federal and state taxes.
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## **TDBANK CAPITAL STRUCTURE, FUNDING, OWNERSHIP AND DIVIDENDS**

TDBank's equity capital and funding will be provided by the Federal Government in the following amounts:

- . \$500 million in equity contributions from appropriated funds, judgment funds, or from funds provided by other Government Sponsored Enterprises such as the Farm Credit Banks or the Federal Home Loan Banks or FNMA and GNMA.
- . \$3 billion in direct, long term loans from the United States for 30 years at the U.S. Treasury interest rate paid on 30 year obligations.
- . Future funding of up to ten times equity capital from the sale of bonds and notes in the nation's capital markets, guaranteed by the full faith and credit of the United States. The initial limit of \$5 billion shall include the \$3 billion loan described under item two.
- . The Federal Government will be required to maintain permanent equity capital equal to 5% of average risk-adjusted assets.

TDBank's initial capital stock will be distributed to Federally recognized American Indian Tribes in proportion to the number of American Indians living on or near reservations as determined by the latest census information or by some other means determined by Congress with input from Indian Country. This permanent capital cannot

be sold, traded or withdrawn. Alternatively, or in combination, other Government Sponsored Enterprises such as the Farm Credit Banks, FNMA, GNMA and the Federal Home Loan Banks might be compelled to provide all or part of the initial investment capital of TDBank. While such funds could not be withdrawn, such investments would draw a dividend along with other shareholders.

Each borrower using TDBank's loan facilities will generally be required to invest in capital stock or participation certificates of the Bank. The statutory minimum amount of capital investment required for borrowers should be two percent of the loan or one thousand dollars, whichever is less. This requirement will not apply to loans or leases to individual American Indians for consumer purposes such as housing, automobile loans and the like. Such payments of dividends and/or distribution of earnings are subject to regulations that establish minimum at-risk capital standards.

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## **TDBANK BOARD OF DIRECTORS AND MANAGEMENT STRUCTURE**

TDBank's Board of Directors shall consist of at least five members appointed by the President and confirmed by the Senate.

. Three members shall be American Indians appointed by the President after being proposed by Indian Country in some organized way.

. Two members, including the Chairman and Chief Executive Officer, shall be people skilled in financial and trust management and may also be American Indians.

TDBank's Board shall be identical with AITDA's Board.

All Board Members of TDBank and AITDA will be appointed for a term of 12 years using a staggered system. Initially, two will be appointed for four years; two will be appointed for eight years; and the Chairman & CEO shall be appointed for 12 years. Vacancies which occur prior to the expiration of the term shall be filled with individuals to fill the remaining term of the particular vacancy.

TDBank's Board shall organize itself through governing committee's to oversee the primary operations of the Bank, including trust resource management; trust funds management; trust land and ownership records management; lending, leasing activities; investment activities; risk management and audit activities; and other banking and trust activities.

All Board members will be full time employees and will be compensated at the same rate paid FDIC Directors or as otherwise determined by Congress.

The Chairman & CEO and other executive management and employees will be qualified bank and trust officers and employees and shall be exempt from Federal Government employment requirements. Compensation and benefits will be determined by the Board of Directors after taking into account general compensation and benefits schedules of the Farm Credit System Banks.

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## **TDBANK DELIVERY NETWORK**

TDBANK will deliver financial services through:

- 50 to 75 branch offices located in or near major American Indian communities.
  - A commercial grade telecommunications and electronic nation-wide delivery system.
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## **TDBANK'S LENDING, LEASING, INVESTMENT AND FINANCIALLY RELATED SERVICES**

The Bank will:

- be dedicated and restricted solely to making loans, leases, investment and financial services available to eligible and qualified individual American Indians and American Indian Tribes and their communities in all areas of the nation.
- follow prudential, safe and sound lending and investment policies, procedures and practices which will be enforced.
- facilitate and implement efforts and initiatives to make individual American Indians and American Indian Tribes economically more viable under principles of self-determination and self-governance.
- provide at no cost or at a subsidized cost, lifeline trust, depository, lending and other financial services which are not being provided or cannot be provided by the private sector at an affordable cost. Such lifeline financial services may be provided, indirectly, through private sector financial institutions if it is cost effective to do so.
- charge appropriate fees and interest rates for its financial services and products, sufficient to cover funding, operating and administrative expenses and sufficient to produce reasonably profitable operations. These fees and interest rates should generally be lower than those charged by private sector institutions because the Bank will have access to the nation's capital markets for funding at rates commensurate with those paid by the Federal Government and agencies of the Federal Government and because the Bank will be exempt from all Federal and state taxes. Benefits from the lower funding costs and tax free status, in turn, will be passed on to American Indian borrowers in the form of favorable interest rates charged on the Bank's loans.

Lending and Leasing Products:

TDBANK will make long term loans of up to 30 years for economic development of American Indian communities, usually secured by first mortgages on individual properties and Tribal real estate or enterprises. These long term loans will be made for a variety of purposes including: purchasing land, buildings, machinery, equipment and livestock; refinancing existing mortgages and paying other debts; constructing or repairing buildings; improving land; and financing agriculture, industrial or extraction industries. Loans will also be made for the purchase and construction of homes, for real estate needed for aquatic operations, for plants, for processing and marketing facilities, for Tribal government needs and for American Indian related businesses.

The Bank will also make short term loans to consumers, home owners, small businesses, farmers, ranchers,

Tribal governments and American Indian related entities on a secured or unsecured basis; finance eligible utilities, including electrical distribution, generation and transmission, telecommunications, and water and waste disposal systems; and provide equipment and other leasing services to eligible borrowers.

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### **TDBANK INVESTMENT IN COMMUNITY DEVELOPMENT ACTIVITIES**

The Bank will be authorized to invest up to 25% (initially, \$125 million) of its permanent capital in eligible individual American Indian and American Indian Tribal business ventures and projects which will aid economic development of their communities. These investments will include common stock, preferred stock and long term subordinated debt investments in:

- . Infrastructure acquisitions and development activities.
  
  - . Project Financing.
  
  - . Venture Capital Businesses.
  
  - . Established Businesses.
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### **TDBANK INVESTMENT IN FRACTIONATED REALTY INVESTMENTS**

The Bank will be allowed to invest up to \$300 million for the purchase, holding, financing and sale of fractionated realty interests of American Indians on allotment lands. Such purchases and financing will be made on prudential terms at market rates to American Indian individuals and Tribes. Such activities will be regulated by rules set forth in legislation to resolve the fractionated heirship issues. The principal purposes of this program are:

- . The consolidation of existing fractional interests.
  
  - . The prevention or substantial reduction of further fractionation.
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### **TDBANK LIFELINE DEPOSITORY AND OTHER FINANCIAL SERVICES**

The Bank will provide a full range of commercial banking services to its American Indian customers. These will include:

- . Lifeline banking and financial products, including statement rendering, accounting, reporting, record keeping, tax planning, cash management, investment, collective investment funds, mutual funds, equity and fixed income funds, property management and others.
  
- . Lifeline depository, payment and investment services, including demand and savings accounts, certificates of deposit, IRA & Keogh accounts, check and other disbursement vehicles, wire transfer, cash management,

money orders, official checks, discount brokerage, insurance and annuity sales, mutual funds sales and treasury sales and the like.

These financial services are intended to be lifeline in nature. Lifeline financial services are not intended to compete with private sector financial institutions providing those services. Rather, they will be provided by the Bank when such services are not or cannot be provided by the private sector at an affordable cost. The Bank will provide them at no cost or at a subsidized affordable cost in such circumstances. Such lifeline banking services may be provided by the Bank indirectly through private sector financial institutions when it is cost effective to do so.

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## **TDBANK'S FEES AND CHARGES**

Generally, TDBank will charge fees for services at rates commensurate with the private sector. While fees will be charged, the American Indian beneficiaries will still benefit by substantially increased access to credit and capital at subsidized rates made possible by the Bank's access to U.S. Government guaranteed funding at low rates and by TDBank's tax-free status.

TDBank's Board of Directors will develop and publish a fee schedule for all financial and trust services provided by the Bank. The following principles will apply:

- . The fees charged will not be more than comparable fees charged by private sector banks and trust companies for similar financial and trust services.
  - . Fees will not be charged for lifeline financial services except at an affordable cost.
  - . Affordability will be taken into account in the entire fee structure. Small account holders or Tribes unable to afford a full fee would not be charged at all or would be charged a fee commensurate with their ability and capacity to pay
  - . Those Tribes that choose to continue to receive the level of services they now get from OTFM (i.e., investment in government insured instruments) will not be charged a fee for a period of five years, after which the general fee schedule will apply.
  - . Tribes could convert their trust funds into an agency account, wherein the Tribe makes investment decisions and the Bank simply carries them out. All Tribes taking this option would be charged a fee except those unable to afford the fee under the principles described above.
  - . The Bank's lending and leasing activities and investments in American Indian enterprises will be based on prudential principles. Appropriate fees will therefore be charged for all such activities.
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## TDBANK'S RELATION

In general, TDBank is not intended to compete with private sector financial institutions which are willing and able to supply comparable financial services at a reasonable cost to American Indians, Indian Tribes and their communities. TDBank is intended to augment, supplement or provide, directly and indirectly, financial services in circumstances where such is not the case.

TDBank's expertise and experience in lending and investing in American Indian enterprises should attract more private sector lending and investing. TDBank will develop programs:

- . To act as a upstream or downstream correspondent bank for private sector bank's wishing to purchase loans from TDBank, sell loans to TDBank or co-lend or co-invest with TDBank.
- . To contract with or out source certain financial services to private banks which may be able to provide lifeline banking services to American Indian beneficiaries at less cost than TDBank. TDBank would pay the full cost or partial cost of such services, which would be provided at no cost or at a low cost to American Indian beneficiaries.
- . To be a banker's bank to Indian owned banks.

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### TD BANK PROFROMA BALANCE SHEET BANKING OPERATIONS

(\$Millions)

#### ASSETS

**Cash, Securities and  
Liquid Assets**

\$ 500.00

**Loans:**

\$ 4,500.00

Commercial  
Consumer  
Real Estate  
Infrastructure

**Fractionated Realty  
Holdings:**

\$ 300.00

Loans to  
Facilitate

#### \*LIABILITIES

**Demand Deposits**

\$ -

**Savings & CDS**

\$ -

**Official Checks**

\$ -

**Long term Debt:**

\$3,000.00

Note to  
U.S.  
Treasury

	Investment Holdings		30 yrs.; 30 yr. T Rate
<b>Development Investments:</b>	\$ 125.00	<b>Other Debt:</b>	\$ -
	Infrastructure Acquisition & Development		Limited to 10 x Equity Capital
	Project Financing		including long term debt.
	2,000		
	Venture Capital to New Businesses		
	Capital for Established Businesses		
<b>Other</b>	<u>\$ 75.00</u>	<b>Equity Capital</b>	<u>\$ 500.00</u>
<b>Total Assets</b>	<b>\$ 5,500.00</b>	<b>Total Liabilities and Capital</b>	<b>\$5,500.00</b>

\* All deposits and liabilities guaranteed by the United States

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**TD BANK SUMMARY OF FINANCIAL SERVICES**

**LOANS AND LEASES:**

Commercial:	Corporate	Small Business	Agriculture
Consumer:	Credit Card	Home Equity	Auto
	Mobile Home	Personal	

Real Estate:	Single Family Acquisition	Multiple Family Development	Commercial Construction
Infrastructure:	Acquisition	Development	Project Financing

**FRACTIONATED  
REALTY HOLDINGS:**

Purchases	Sales	Investments  Individual & Tribal	Loans to Facilitate:
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**DEVELOPMENT  
INVESTMENTS:**

Project Financing	Venture Capital  New Businesses	Capital to Existing  Businesses	Infrastructure  Acquisition & Development
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**DEPOSITORY  
SERVICES:**

Demand Deposits	Savings Deposits	Other Deposits	Certificates of Deposit
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**OTHER SERVICES:**

ATM Access	Cash Management	Accounting	Statements & Reporting
Payments	Disbursements	Wire Transfer	Money Orders
Official Checks	Overdraft	Discount	Mutual Funds
	Protection	Brokerage	& Insurance Sales

**U.S. DEPARTMENT OF THE INTERIOR BUREAU OF INDIAN AFFAIRS  
TRIBAL, INDIVIDUAL INDIAN MONIES AND OTHER SPECIAL APPROPRIATION FUNDS  
MANAGED BY THE OFFICE OF TRUST FUNDS MANAGEMENT**

SUPPLEMENTARY COMBINING STATEMENT OF ASSETS AND TRUSTS FUND BALANCES  
SEPTEMBER 30, 1995

	<b>Tribal Trust</b>	<b>Individual Indian Monies</b>	<b>Other Special Appropriation Funds</b>	<b>Combined Total</b>
<b>ASSETS</b>				
<b>Non-Entity assets:</b>				
<b>Intra governmental assets:</b>				
Fund balances with Treasury:				
Cash	\$ 6,054,917.00	\$ 3,929,010.00	\$ 130,437.00	\$ 10,114,364.00
Investments :	\$ 169,860,842.00	\$ 3,906,061.00	\$ 20,794,067.00	\$ 194,561,000.00
Overnight investment	\$1,464,284,398.00	\$363,873,825.00	\$262,201,350.00	\$2,090,359,573.00
Government backed securities	\$ 18,098,231.00	\$ 4,341,646.00	\$ 3,816,339.00	\$ 26,256,216.00
Accrued interest receivable				

**Governmental  
assets:**

Investments				
Certificates of deposit	\$ 35,237,962.00	\$ 5,892.00	\$ 27,803,390.00	\$ 63,047,244.00
Equity securities	\$ 15,740,200.00	\$ 20,000,000.00	\$ -	\$ 35,740,200.00
Mortgage backed securities	\$ 139,984,032.00	\$ 106,473,975.00	\$ -	\$ 246,458,007.00
Accrued interest receivable	\$ 2,606,475.00	\$ 859,412.00	\$ 1,251,129.00	\$ 4,717,016.00
Accrued dividends receivable	\$ 97,500.00	\$ 100,000.00	\$ -	\$ 197,500.00
<b>Total Assets</b>	<b>\$1,851,964,587.00</b>	<b>\$503,489,821.00</b>	<b>\$315,996,712.00</b>	<b>\$2,671,451,120.00</b>